



Guest Editors' Introduction: In Pursuit of Islamic *akhlaq* of Business and Development

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This special issue (globalization, development and Islamic business ethics) is a collection of peer-reviewed papers on Islamic ethics of business and development in the global economy; a topic that is becoming increasingly important and relevant not only for multinational and local organizations in Muslim majority countries and communities but also for governments and organizations employing or dealing with Muslim diaspora in the West.

In Islamic theology and philosophy, *akhlaq*, an Arabic term, is generally used to refer to noble character, morality and ethical conduct. Islam places great emphasis on embodying *akhlaq*. The Prophet Muhammad said 'I was sent to perfect the ethical conduct' (Malik, n.d., Book 047, Section 08, Hadith Number 610). *Akhlaq* is a key criterion by which success is judged. The Prophet said 'The best among you are those who have the best manners and character' (Bukhari, n.d., Vol 008, Book 073, Hadith Number 056B). In another similar tradition, the great Muslim scholar, Imam Jafar al-Sadiq (702–765 C.E.) narrates 'Anyone who is devoid of knowledge (*ilm*) and ethics (*akhlaq*) is like an orphan who has lost both his parents'. (An Naseeha 2009, para. 2).

According to Islamic philosophy, the disposition towards *akhlaq* may appear because of one of the following reasons: (a) *fitrah*, i.e. the original or natural state in which humans are created by God; (b) *aadah*, i.e. the habit formed

by continual repetition of certain acts that creates a certain disposition; and, (c) *mumarisah*, i.e. practice and conscious effort which will eventually produce a disposition (Cowan 1994; Esposito 2005). Clearly, the topic of business ethics falls under the purview of the third type of Islamic ethical disposition, i.e. practice and effort.

Research on Islamic business ethics is important given the fact that with a population exceeding 1.6 billion people, the Islamic world represents more than \$8 trillion in GDP, and some of the fastest-growing global economies that stretch from Indonesia in the east to Turkey in the west with the petrodollar rich Middle East at their centre. Islamic influences stretch beyond Muslim majority countries as more than 350 million Muslims reside as minorities in many nations, with many affluent ones living in the west and large populations residing in the emerging economies of India, China, and Russia (Thomson Reuters and Dinar-Standard 2013). Globally, this fast growing and relatively young population of Muslims is increasingly asserting its Islamic identity and sensitivities in areas as diverse as economy, education, politics, media and philosophy.

However, there is limited scholarship on Islamic ethics and business in the global economy, especially work that draws on a range of knowledge domains including management, development and religious writings—barring a few studies, e.g. Ali and Al-Owaidan, 2008; Beekun and Badawi 2005; Rice 1999; Syed 2009. This is an important knowledge gap given the resurgence of Islam of late, and concerns that globalization has heightened the 'clash of civilizations' thesis, and significantly that Islamization through politicized regimes may prevent barriers to economic and social progress (Ahmed and Donnan 1994; Platteau 2010). This view is all the more important in the aftermath of the *Arab Spring*, the *US invasion of Iraq*, *9/11* and the ongoing *Israeli-Palestinian* conflict.

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Further, while dominant perceptions treat Islamization as oppositional to Western democratic values and systems, the expansion of Islamic financial institutions and their funding of development projects in the Middle East, Asia and Africa suggest that Islamic business ethics are shaped by the intersections of varying capitalist regimes, transnational corporations (TNCs) and multiple interpretations of ethics in very complex ways. Such complexity and heterogeneity of interpretations and practices are, for example, evident in the ways local firms and TNCs approach gender equality in work in countries as diverse as Turkey, Pakistan, Saudi Arabia, Malaysia etc. (Ali 2006; Özbilgin et al. 2010).

Current global discourses of Islam assume homogeneity of Islamic philosophy and its implications for public management, business ethics and social and gender relations (Williams and Zinkin 2010). This is being challenged by a growing number of scholars who argue the need to examine alternative development ethics models (Chapra 1993), and explore in depth the complexity of Islamic business ethics and the spatial, gendered, cultural and social implications for theorizing and practice (Lunn 2009; Maak and Pless 2009; Metcalfe 2008; Syed and Ali 2010). This is also demonstrated by scholarship that considers injustices in working regimes, which review the diverse working conditions of migrants, the working poor and managerial systems in different geographic regions, particularly taking note of differences in the developing and developed states (Werhane 2008).

As globalization has precipitated the expansion of TNCs and foreign direct investment into the Middle Eastern, Asian and African markets, some of which are broadly influenced by the Shariah (Islamic jurisprudence) institutional frameworks, there is a great deal of variety and fluidity in respect of stages of development, organization systems, and how ethics are constituted and practiced. Globalization has been characterized by uneven development and diverse approaches to ethical organization and management. In addition, globalization has caused to increase inequalities between men and women, contributing to the feminization of poverty. Using the UNDP indicators, global regions face varying development challenges in terms of employment, income, health, democracy, sustainable resources, poverty and development, and partnership arrangements, that ultimately shape ethical dimensions of human resource development strategies (Metcalfe and Rees 2010; United Nations Development Program (UNDP) 2013).

These development indicators provide limited insights into the business ethics of TNCs and the different varieties of governance and labour management relations/regimes, and environmental management strategies. While it is acknowledged the foundational source in the gradual codification of Islamic ethics is the Muslim understanding and interpretation of the Quran and the *hadith* (traditions of the

Prophet Muhammad), there is little recognition that interpretations of Islamic ethics and their practices in organizations are far from homogenous, and are shaped by the institutional and socio-cultural context. This is a key knowledge gap in the organization and development ethics literature and poses challenges for scholars in appreciating the complex and intersecting knowledge terrains. Ethics scholars would benefit from understanding diverse understandings and approaches to Islamic business ethics.

In this SI, we have synthesized seminal work on this under-explored area to provide a key frame of reference for academicians and policy makers interested in understanding Islamic business ethics in diverse economic and socio-cultural contexts. Papers in the SI challenge the universalizing ethos of Islamic ethics and development ethics, and advance debate and critique on the socio-cultural and geo-political nuances that shape the ethics of management, organization and development planning and governance frameworks. The papers also assist business knowledge transfer from the Global South to the Global North, and reinvigorate debates about social justice and an ethics of care (Held 2005; Ramadan 2009), that have until recently had a predominantly Western flavour.

In their paper titled 'Ethical reporting in Islami Bank Bangladesh Limited', Belal, Abdelsalam and Nizamee offer a critical examination of the ethical and developmental performance of an Islamic bank as communicated in its annual reports over a period of 28 years. Islami Bank Bangladesh Limited's (IBBL) ethical performance and disclosures are further analysed through interviews conducted with the bank's senior management. The key findings include an overall increase in ethical disclosures during the study period. However, the focus on various stakeholders' needs has varied over time reflecting the evolving nature of the Islamic finance industry over the last three decades. Based in a secular economy, IBBL focused in the first two decades on the particular Shariah compliance disclosure as a way of establishing its reputation and differentiate itself from conventional banks in a dual banking system. Post 2005, the ethical performance and disclosure shifted to more universal disclosures such as sustainability, charity, employees and community related disclosures signalling responsible conduct and the bank's adoption of a 'wider stakeholder approach'. However, the bank is still failing to provide full disclosure on certain significant categories such as sources and uses of disposable income, thereby contradicting the principles of full and comprehensive disclosure and accountability.

Ali-aribi and Arun's paper titled 'Corporate social responsibility and Islamic financial institutions (IFIs): Management perceptions from IFIs in Bahrain', highlights the growing popularity of Islamic finance in the finance industry. The authors analyse how IFIs are responding to the welfare needs of society. Using interview data with

managers and content analysis of the disclosures, their study highlights the management perceptions of CSR in IFIs. The study shows that a thorough understanding of CSR by managers has not been translated fully into practice. The authors note that a partial use of IFIs' potential role in social welfare would add further challenges in the era of financialization.

In their paper titled 'Managerial mindsets towards corporate social responsibility in Iran', Soltani, Syed and Liao note that despite a plethora of empirical evidence on the potential role of senior management in the success of CSR in Western-dominated organizational contexts, little attempt has been made to document the various managerial mindsets towards CSR in organizations in Muslim-dominated countries. In order to address this existing lacuna of theoretical and empirical research in CSR management, the authors offer a qualitative case study of CSR in three manufacturing firms operating in Iran's auto industry. Based on an inductive analysis of the qualitative data, three types of managerial mindset towards CSR are identified: conformist, self-seeker, and satisfier. Whilst it is evident that these different mindsets of Iranian managers seek to serve only managerial ends and short-term pursuit of self-interests, they fall short of core values of Islamic ethics and CSR.

In their paper titled 'Discourses of collective spirituality and Turkish Islamic ethics', Karakas, Sarigollu and Kavas present case studies and qualitative interviews conducted with 40 stakeholders in five SMEs in Turkey. Their study explores the collective spirituality and Turkish Islamic business ethics and how they shape organizational values using diverse stakeholder perspectives. The study reveals six emergent discourses around collective spirituality and Islamic business ethics: flying with both wings; striving to transcend egos; being devoted to each other; treating people as whole persons; upholding an ethics of compassion; and leaving a legacy for future generations. These discourses are organized around three themes of collective spirituality, namely, transcendence, connectedness, and virtuousness.

Dreher's paper titled 'Islamic capitalism? The Turkish Hizmet business community network in a global economy', offers a critique of the prevailing essentialist and homogenizing approach to business ethics that dominates the field with regard to Islam and proposes a constructivist perspective to the study of religion. Her study demonstrates the possibilities of this approach with the study of Hizmet that has established itself in over 130 countries over the last twenty years. The implications for business ethics from the study of this movement are that the notion of corporate social responsibility needs to be adjusted in order to accommodate the Hizmet approach but that there are limits to this adjustment due to gender and labour rights considerations. The paper offers an alternative approach for

Islamic business ethics and encourages further research along these lines.

In their paper titled 'Marketing and ethics: What Islamic ethics have contributed and the challenges ahead', Ali and al-Aali examine the role of Islamic ethics in the marketing field. Their paper presents Islamic contributions to the field by referencing original sources and concepts that are often not easily available to researchers and practitioners alike. In foundational texts, Islamic ethics have their own marketing practice prescriptions, practices that are driven by a discipline which shuns any dichotomy between organizational and societal interests. The authors underscore the role of marketers in improving the well-being of individuals and the community and present a framework for analysing the link between Islamic ethics and societal welfare vis-a-vis marketing. Several marketing issues are identified, and the contributions of Islamic teachings are presented. The paper identifies emerging ethical dilemmas and the necessity to tackle them in a way that strengthens the role of marketing in societal affairs and ensures morally driven conduct.

In their paper titled 'New conceptual foundations for Islamic business ethics: the contributions of Abu-Hamid Al-Ghazali', Sidani and Al Ariss note that the dominant approach to understanding Islamic business ethics has been based almost exclusively on either interpretations of the Quran and Sunnah or influenced by Western understanding of Islam and ethics. However, there is a rich—largely ignored—tradition of ethical analysis conducted by Muslim philosophers which would broaden our understanding of Islamic ethics and hence Islamic business ethics. The authors address this imbalance by examining works of Al-Ghazali, an early Muslim philosopher, scholar, and mystic. Al-Ghazali's approach to *Sufism*, combining an interpretation of revelation with reason, can contribute to new developments in business ethics scholarship and practice especially in Muslim communities. The authors argue that including such historically and contextually recognized perspectives in our understanding of business ethics, both in theory and in practice, would work well with an audience that looks to Islam as a source of justice and moral conduct.

In her paper on 'Islam, "development" and a middle-class ethics: Malaysia, globalisation and changing "cultures"', Wong notes that despite proclamations of the age of globalization, there is still a tendency in discussions of business, economic growth and development to portray developing societies, especially Islamic societies, as culturally archaic and socially conservative needing to be transformed. Islam, in these accounts, remains an anti-modern, anti-growth, force. In examining the case of Malaysia, a moderately economically successful Islamic state, Wong critically interrogates the discursive practices

embedded in contemporary Malaysian Muslim consumer culture. In so doing, the paper sheds some light on the various interpretations of Islam impacts on modern urban middle-class Malaysian Muslims. Wong argues that the focus on consumer culture and its practices allows us to understand and develop richer analytical specificities of Islamic ethical practices as these societies engage with globalization. More importantly, the struggle over ethical actions enables us to see that Islam is not a monolithic practice but rather more diverse in practices and effects.

Tlaiss's paper titled 'How Islamic business ethics impact women entrepreneurs in Arab Middle Eastern countries' explores how Islamic business ethics and values impact the way in which Muslim women entrepreneurs conduct their business in the Arab world. Guided by institutional theory as a theoretical framework and social constructionism as a philosophical stance, the paper uses a qualitative, interview-based methodology. Using in-depth interviews with Muslim Arab women entrepreneurs across four countries in the Arab Middle East region, the results portray how Islamic work values and ethics are embedded in the entrepreneurial activities of these Arab women. The results also illustrate how Muslim women entrepreneurs seek well-being (*falah*) in their life and excellence (*itqan*) in their work while running their businesses. The Muslim women entrepreneurs adhered to the Islamic work-related values of good and hard work (*amal salih*), honesty and truthfulness (*sidik and amanah*), fairness and justice (*haqq and adl*), and benevolence (*ihsaan*) and perceived them as instrumental to the survival and success of their enterprises. The agency of the Muslim Arab women allowed them to construct and navigate their entrepreneurial careers away from the traditional, doctrinaire interpretations of Islam.

In an increasingly globalized world, it can no longer be said that east and west shall never meet. The world of Islam has penetrated the western world in ways that cannot be ignored, and vice versa. Inter-religious dialogue and understanding are essential not only for political and social stability but also for economic and business gains. We hope that papers in this SI will facilitate a deeper and contextual understanding of Islam and Islamic business ethics. Overall, the implications of the SI for academics, managers, multinational corporations and globalization are numerous and important for understanding how business may be ethically conducted in Muslim majority countries and communities.

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